

NHS Shetland

Meeting:	Shetland NHS Board
Meeting date:	27 August 2024
Agenda reference:	Board Paper 2024/25/31
Title:	Financial Performance Management Report Update – Draft 2024-2025 at Month 3, June 2024.
Responsible Executive/Non-Executive:	Colin Marsland, Director of Finance
Report Author:	Colin Marsland, Director of Finance

1 Purpose

This presentation to the Board is for your:

- Awareness

This report relates to:

- Annual Operating Plan

This aligns to the following NHS Scotland quality ambition(s):

- Safe
- Effective
- Person Centred

2 Report summary

2.1 Situation

The purpose of this paper advises the Board of the out-turn expenditure against Revenue Resource Limit as at Month 3 for 2024-25 and the pertinent issues behind this position. The month 3 out-turn position is £1.5m over spent. This compares to £1.6m in 2023-24.

2.2 Background

In 2024-25, NHS Boards are required to achieve a year end balanced financial position in-line with statutory financial obligation under section 85 of the National Health Services (Scotland) ACT 1978. Sub-sequentially this been redefined as over a rolling three-year period that was set-out in our Annual Delivery Plan agreed by the Board in April 2024. The summary financial points at month three are:

- Appendix A, financial summary statement shows an over spend at £1.5m, this represents a 7.9% variance on the year to date plan;
- Appendix A, as outlined in the financial summary statement shows the primary cost pressure that has been managed is pay at £0.8m over spent; and
- Appendix B, though identifies £0.6m achieved year to date and that only 16.4% of this is delivered so far on a recurrent basis.

2.3 Assessment

The three-year financial plan assumed the Board would be £0.7m over spent in 2024-25 but achieve a break-even position over the current three-year business cycle.

The financial plan included a number of planning assumptions. Table 1, summaries the performance against the top three most significant financial assumptions in the plan.

Assumption Narrative	Month 3 Out-turn Position
1. Reduce from 2024-25 additional pay cost of AFC posts above budget would reduce by 60% to £0.250m	Out-turn over spend is £0.06m less than last year, so down 31%. Adverse to plan by £0.06m.
2. Reduce from 2024-25 additional pay cost of Medical and Dental staff above budget would reduce by 53% to £1.0m	Out-turn over spend is £0.08m more than last year, so up by 14%. Adverse to plan by £0.38m.
3. Achieve £1.0m in non-recurring savings on top of the £3.5m savings target	Actual savings achieved out-turn was £0.54m but only £0.09m recurrently. So £0.54m behind overall trajectory.

There are underlying work force pressures in our local service models causing significant over spend. Actions to address these will need to occur during 2024-25 to achieve our statutory obligation to breakeven this year and in the longer term.

To achieve the planning out-turn position in 2024-25 will be challenging. This will require further management action required to address underlying issues and deliver cost reductions through either recurring or non-recurring efficiencies.

2.3.1 Patient Care

Patient care is not at risk. The use of “temporary” staff on NHS and non-NHS terms and conditions are being engaged to fill gaps in service and some areas to add resilience.

Long-term sustainable clinical staffing models remains a top priority to address. This will provide more effective and efficient use of resources leading to better overall outcomes. This should also improve the ability to create our objective of patient centred care through ensuring sufficient organisational capacity and resilience.

2.3.2 Workforce

For the Board to achieve a balanced financial position in 2024-25 and beyond, the issue of sustainable clinical staffing models remains a top priority to address. The recovery planning proposals will need to address realistic clinical models within our resource limits. The use of locum and bank staff is predominately to maintain safe staffing levels in essential services at current activity levels. This is to ensure a safe patient centred service exists whilst managing clinical risk. As with previous years, finance reports, the cost pressure in 2024-25 from use of staff outside NHS terms and conditions continues to challenge our ability to breakeven.

At Month 3, the actual expenditure on locum and agency staff totals £1.6m. Summary split of this is in Table 2. Staff vacancies part fund these costs along with other allocations such as planned care resources as outlined in Table 2.

Staff Group Analysis	Cost	Funding Via Vacancies	Funding via Other Route	Net Cost
	£000's	£000's	£000's	£000's
Consultant Locums	714	283	35	396
Consultant Agency	155	33	76	46
Junior Doctors	49	0	0	49
Agency Nursing	216	111	0	105
Agency General Practitioners	393	180	1	212
Other Staff Groups	67	10	24	33
Grand Total	1,594	617	136	841

Continuing at this same rate of expenditure would likely see yearend expenditure £6.4m just £0.1m less than last year. Therefore, this current level of use makes achieving the planned out-turn position as likely not achievable in the current year. The principle cause so far, of why expenditure has not fallen in line with plan is General Practitioners additional costs that are up by 141% at month 3 compared to last year.

The total over spend on staff expenditure costs at £0.8m roughly matches the cost pressure caused by staff engaged on non-NHS terms and conditions at month 3.

2.3.3 Financial

Chart 1 below illustrates the monthly position of expenditure incurred against the Board's resources available as set out in our approved budgets.

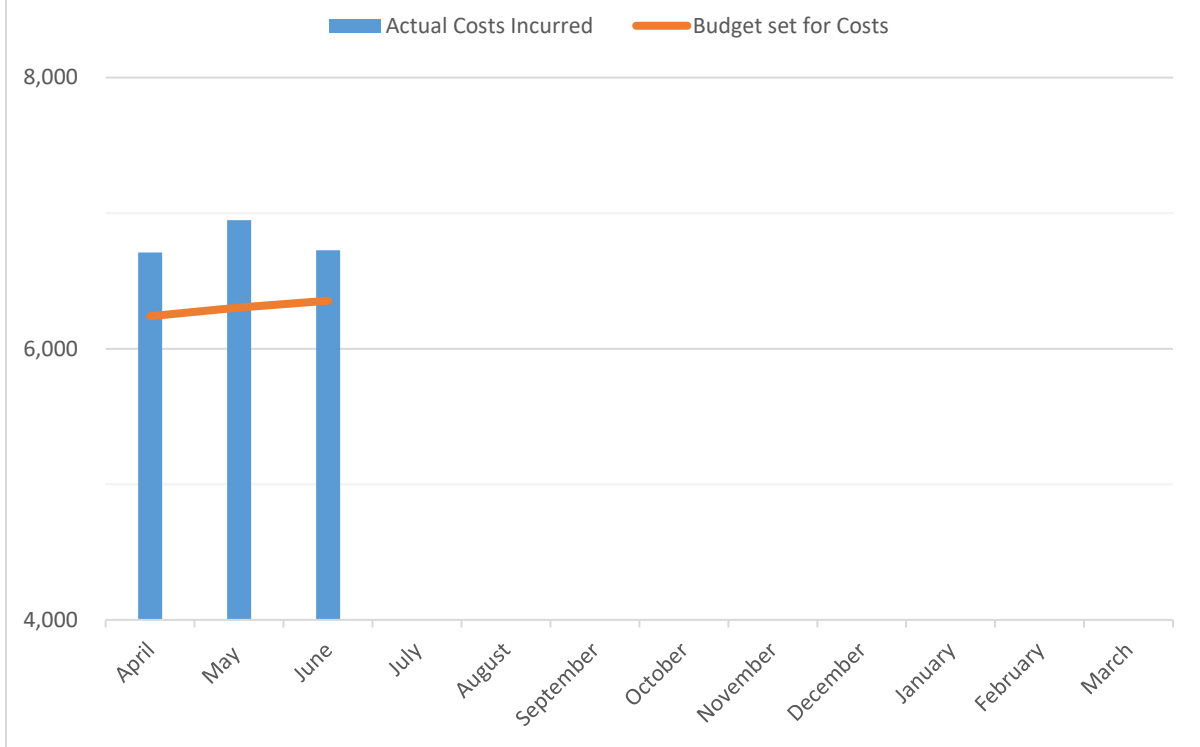
This shows that expenditure, so far, is greater than available resources in each month primary due to use of temporary and additional staff.

At month 3, in addition to the excess pay costs the use of temporary staff incurs accommodation and travel costs so far creates a further cost pressure of £0.1m.

GP prescribing there is still a shortage of supply issue in certain community prescription drugs. This issue is not specific to Shetland and affects all the territorial Boards in NHS Scotland. These shortages started in August 2022. Until these market shortages are resolved expected rate of inflation in the cost of GP prescribing will be higher than the

norm. In the current year to date April, cost inflation rate locally was 2.6%. Items dispensed decreased by 2.3%. Due to drugs on short supply not yet working out the procurement cycle, the GP prescribing budget will likely over spend in 2024-25.

Chart 1: Performance Analysis of the Monthly Actual Expenditure to Budget



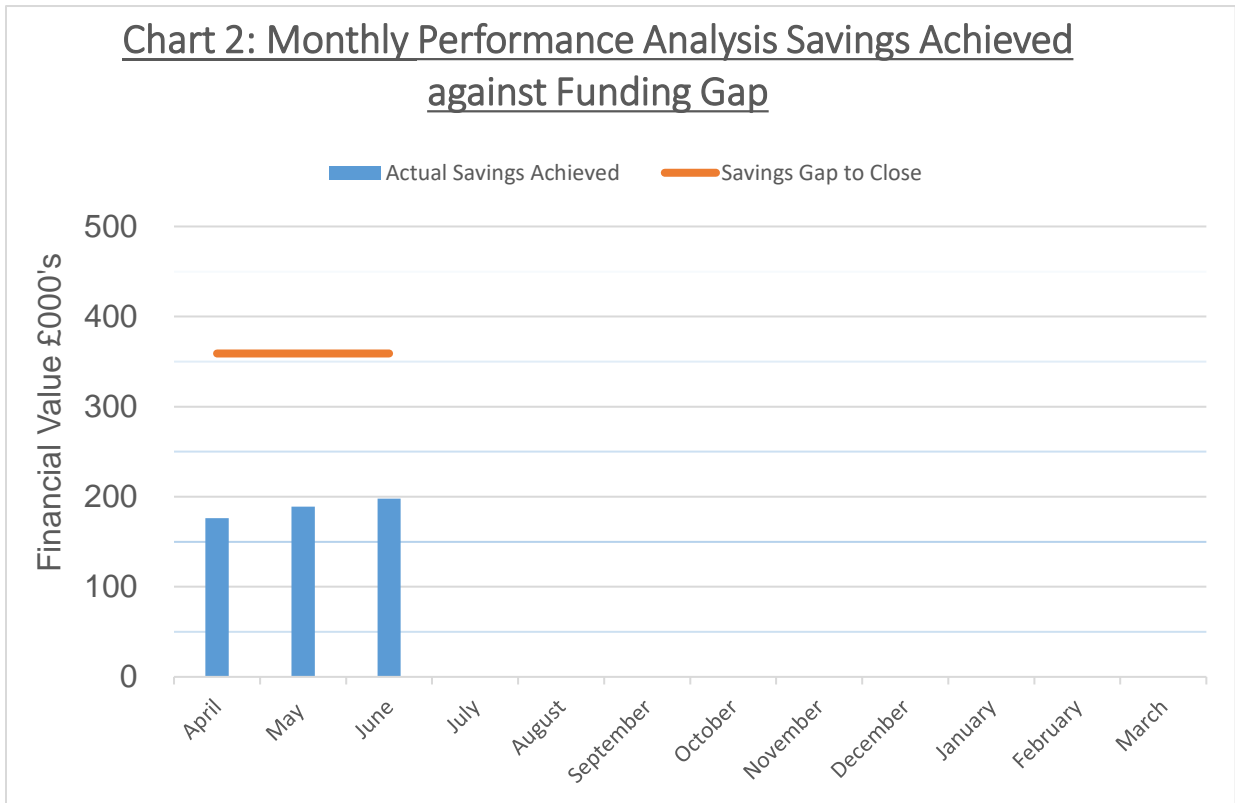
The Board’s longer-term financial sustainability requires a focus on addressing our local underlying gap and the future annual target projected efficiency savings, at 3.0% in-line with Scottish Government policy.

Plans will continually be under development or review to implement the principles arising out of the Clinical Strategy review. These schemes to review or implement pathway developments need though take due recognition of resource constraints in available finance, technology and staff with appropriate skills.

The Board’s underlying gap entering 2024-25 was just under £3.5m. To return to financial balance the plan is to achieve £1.9m in recurrent savings in each year of the current three-year plan. In 2024-25, including savings to offset cost pressure £4.5m of savings is required to address the gap between income and expenditure.

Overall delivery as illustrated in chart 2 and detail outlined in Appendix B the Board has delivered £0.6m in efficiency savings as at month 3.

This though is principally via non-recurring savings at £0.5m. The main cause of these savings was via staff vacancies at just under £0.3m.



2.3.4 Risk Assessment/Management

There is risk to the sustainability of the Board if the proposed sustainable models of care and pathways developed cannot attract sustainable level of suitably qualified staff.

Redesign of pathways that need to occur in line with Board and partners' aims to deliver locally set objectives, and need to ensure staffing models are realistic and recruitment plans are reviewed and put in place for successful appointment to key vacant posts.

Ensuring there is sufficient organisational capacity and resilience within our available resources is a challenge that needs to be met.

2.3.5 Equality and Diversity, including health inequalities

An impact assessment has not been completed because this has no immediate implications for the Board's overall compliance. However any significant action plans to address either short-term or underlying issues will require an EQIA to be undertaken.

2.3.6 Other impacts

Plans to address issues raised will need consultation and engagement with a number of stakeholders

2.3.7 Communication, involvement, engagement and consultation

This paper is produced for this committee only.

2.3.8 Route to the Meeting

Executive Management Team discussed an earlier version of this report.

2.4 Recommendation

- **Awareness –**

This report is to stimulate discussion on our collective forward actions to ensure sustainable local healthcare provision for our community here in Shetland.

There are two actions that EMT will need to review and address on behalf of the Board in the short and medium term:

Strategic:

1. How recruitment plans and process can be put in place to successfully recruit to the key vacant posts for longer term financial and clinical sustainability; and
2. Identify recurring projects to address the recurrent savings targets that public bodies are to achieve each year in each of the next 3 years operating plan.

3 List of appendices

The following appendices are included with this report:

- Appendix A, 2024-25 Financial Statement Yearend Out-turn
- Appendix B, Efficiency Savings Plan 2024-25
- Appendix C, NHS Shetland 2024-25 Scottish Government Allocation Received

Appendix A

NHS Shetland

2024–25 Financial Statement Yearend Out-turn

	Annual Budget	Year to Date Budget as at Month 3	Expenditure at Month 3	Variance Year to Date
	2024–25	2024–25	2024–25	2024–25
Funding Sources				
Core RRL	£68,996,950	£15,995,463	£15,995,463	£0
Earmarked	£5,971,518	£1,492,880	£1,492,880	£0
Non Recurrent	£3,102,245	£775,561	£775,561	£0
AME Depreciation	£2,421,334	£605,334	£605,334	£0
AME Other	£119,876	£29,969	£29,969	£0
Other Operating Income	£3,297,445	£980,728	£992,971	£12,243
Gross Income	£83,909,368	£19,879,935	£19,892,178	£12,243
Resource Allocations				
Pay	£47,528,458	£11,644,951	£12,490,619	(£845,668)
Drugs & medical supplies	£10,624,792	£2,682,292	£2,818,419	(£136,127)
Depreciation	£2,421,334	£605,334	£605,334	£0
Healthcare purchases	£13,057,746	£2,965,232	£2,957,575	£7,657
Patient Travel	£2,086,753	£505,096	£437,034	£68,062
FMS Expenditure	£929,582	£206,881	£226,678	(£19,797)
AME Other Expenses	£119,876	£29,969	£29,969	£0
Other Costs	£9,929,745	£1,754,103	£1,810,868	(£56,765)
Gross expenditure	£86,698,286	£20,393,858	£21,376,496	(£982,638)
Funding Gap or Surplus	(£2,788,918)	(£513,923)	(£1,484,318)	

Appendix A continued

Shetland NHS Board Financial Position as at the end of June 2024	Annual Budget	2024–25 Month 3 Position		
		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	£20,788,104	£5,276,180	£5,895,810	(£619,630)
Community Health and Social Care	£27,923,639	£6,866,839	£7,448,950	(£582,111)
Commissioned Clinical Services	£14,369,795	£3,197,512	£3,120,143	£77,369
Sub-total Clinical Services	£63,081,538	£15,340,531	£16,464,903	(£1,124,372)
Dir Public Health	£2,280,151	£612,792	£515,932	£96,860
Dir Finance	£3,678,695	£889,406	£798,020	£91,386
Reserves	£693,655	(£621,587)	(£142,999)	(£478,588)
Medical Director	£355,507	£87,885	£86,955	£930
Dir Human Res & Support Services	£3,491,343	£833,545	£900,344	(£66,799)
Head of Estates	£5,327,312	£1,336,745	£1,366,014	(£29,269)
Office of the Chief Executive	£1,703,722	£419,890	£394,356	£25,534
Overall Financial Position	£80,611,923	£18,899,207	£20,383,525	(£1,484,318)

Appendix A continued

Table 3: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2024–25—Source data used in respect of Chart 1

	April	May	June	July	August	September	October	November	December	January	February	March
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Actual costs incurred	6,710	6,948	6,726									
Budget set for costs	6,240	6,305	6,354									
Surplus/ Deficit £	(470)	(643)	(372)									
Surplus / Deficit %	-7.5%	-10.2%	-5.9%									
Year to date variance £	(470)	(1,113)	(1,485)									
% Year to date variance	-7.5%	-8.9%	-7.9%									

Appendix A continued

Appendix B

Efficiency Savings Plan and Performance

Table 4: Shetland Health Board: Efficiency Savings Plan to address the planning assumption funding gap for 2024–25

Recurring Efficiency Savings Proposals	Planning	Low Risk	Medium	High Risk	Commentary
Off Island Patient Pathways Redesign to Shetland In-patient model review	229,000	0 48,547	0 180,453	0	Ambulatory Care service impact on the optimum in-patient bed compliment
Non Doctor Islands Nursing Review	31,000			31,000	Community nursing skill mix review
Pharmacy Drugs: Procurement and other Controls	417,000	0		417,000	IJB Project regarding on island prescribing opportunities
Community Health: Network Enabled Care	50,000			50,000	IJB Led Project concerning Walls and Bixter
Directly Provided CHCP Services: Procurement Schemes	15,709	15,709		0	IJB led project part of £475k in paper previously at IJB
Mental Health On-call Model	31,000			31,000	
Redesign of Shetland Mainland OOHs Provision	46,000			46,000	
IT M365 Licences	86,556		86,556		Shifting to NHS Scotland normal mix 365
Procurement	31,240	31,240			Patient Travel bus contract pick-up from Northlink Ferry Terminal, avoidance of taxi and bus claims.
Off Island Commissioned Healthcare Savings	129,000	129,000		0	
E-payroll	1,000			1,000	Switching staff from paper to e-Payslips
Other Board wide	804,495			804,495	Schemes still to be fully developed
Overall Total Recurring Efficiency Savings	1,872,000	224,496	267,009	1,380,495	

Appendix B continued

Table 4 continued: Shetland Health Board: Efficiency Savings Plan to address the planning assumption funding gap for 2024–25

<u>Non-recurring Efficiency Savings Proposals</u>	<u>LDP Plan</u>	<u>Low Risk</u>	<u>Medium</u>	<u>High Risk</u>	
Staff Vacancy Factor Cost Reduction	1,500,000	499,156	1,000,844		0 Vacancy factor based upon 2023-24 experience. Has exceed planning value contributing to gap.
Prescibing	45,000		45,000		
Off Island Commissioned Healthcare Non-recurring:	336,339	336,339	0		0 Golden Jubilee Contract Orthopaedic Contract plus slippage on national developments in 2023-24
Surplus on Sale of St Olaf Street	50,000			50,000	
Procurement	7,278	7,278	0	0	
Endowment Funded MRI Travel Saving	290,594	290,594			0 Annual value of 550 MRI scans avoided in Aberdeen
Review of Technical issues from shared national suggestions	356,920			356,920	
Other planning gains non-recurrent	23,869			23,869	
Overall Total Non Recurring Efficiency Savings Proposals	2,610,000	1,133,367	1,045,844	430,789	
Overall Total Efficiency Savings in Plan	4,482,000	1,357,863	1,312,853	1,811,284	

Appendix B continued

Table 5: 2024–25 Efficiency Savings Delivery Performance Analysed by Management Service Areas

Shetland Health Board Savings Plan 2023–24		Recurring Savings				Non-Recurring Savings	
Area	Lead Officer	Original Directorate target £000's	Potential Identified £000's	Achieved YTD £000's	Achieved FYE £000's	Potential Identified £000's	Achieved YTD £000's
Acute Services	Director of Nursing	805.0	229.0	48.5	48.5	290.6	95.2
Community Services	Director of Health & Social Care	786.7	590.7	3.9	15.7	95.0	72.4
Off Island Healthcare	Director of Finance	129.0	129.0	32.3	129.0	336.3	84.1
Public Health	Director of Public Health	0.0	0.0	0.0	0.0	0.0	85.0
Human Resources	Director of Human Resources	94.6	86.6	0.0	0.0	0.0	43.2
Chief Executive	Chief Executive	0.0	0.0	0.0	0.0	58.0	27.9
Medical Director	Medical Director	0.0	0.0	0.0	0.0	0.0	9.2
Estates	Head of Estates	0.0	0.0	0.0	0.0	0.0	10.9
Finance	Director of Finance	31.2	31.2	7.8	31.2	0.0	32.8
Board Wide / Reserves	Director of Finance	2,635.5	805.5	0.0	0.0	1,830.1	9.7
Overall Board Targets for 2024–25		4,482.0	1,872.0	92.5	224.4	2,610.0	470.4
Overall Target Achieved in 2024–25 (YTD)		562.9					
Overall Target Achieved in 2024–25 (FYE)		224.4					

Appendix B continued

Efficiency Savings Plan and Performance

Table 6: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2024–25—Source data used in Chart 2

	April	May	June	July	August	September	October	November	December	January	February	March
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Actual savings achieved	176.0	189.0	198.0									
Savings gap to close	359.0	359.0	359.0									
Surplus/ Deficit £	(183)	(170)	(161)									
Surplus / Deficit %	-51.0%	-47.4%	-44.8%									
Year to date variance £	(183)	(353)	(514)									

Appendix C

NHS Shetland 2022–23 Scottish Government Allocation Received

Month	Narrative	Baseline	Non-recurring	Earmarked	AME	Net Running Total
May	Baseline Allocation	£62,389,000				£62,389,000
May	Recurring Allocation from 23/24	£5,799,836				£68,188,836
May	AfC Reform		£959,260			£69,148,096
May	Waiting times	£239,815				£69,387,911
May	Primary Care Phased Investment Programme		£365,000			£69,752,911
June	New Medicines Fund		£858,537			£70,611,448
June	Digital Health and Care Strategic Fund		£211,000			£70,822,448
June	IPACC Community Systems Funding		£13,384			£70,835,832
June	Primary Medical Services			£4,835,433		£75,671,265
June	Primary Care Improvement Fund Tranche 1			£851,656		£76,522,921
June	Primary Care Workforce and Rural Tranche 1		£239,000			£76,761,921
June	Out of Hours additional funding			£23,981		£76,785,902
June	General Medical Services with pension increase	£223,603				£77,009,505
June	General Dental Services	£16,068				£77,025,573
June	HCSA - NHS Board Implementation Leads		£44,325			£77,069,898
June	EiC - NHS Board Leads and eHealth Support	£49,771				£77,119,669
June	EiC - NHS Board Leads and eHealth Support		£1,727			£77,121,396
June	Open University Backfill - Q3&4 academic year 23/24		£50,000			£77,171,396
June	District Nursing	£51,000				£77,222,396
June	Administration of the Child Death Review Process	£3,969				£77,226,365
June	Scottish Vitamin Scheme - Healthy Start/Vitamin D			£2,169		£77,228,534
June	The Best Start: Continuity of carer and Bliss Baby Charter		£2,398			£77,230,932
June	Breastfeeding Projects		£0	£26,000		£77,256,932
June	Young Patients Family Fund - Tranche 1 funding		£39,216			£77,296,148
June	Pension Uplift	£651,161				£77,947,309
June	Collaborative Care Home Support Teams		£120,000			£78,067,309

